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Revenues Drop Below Forecast, Tough Budget Ahead

Good News: Economic Indicators Show Improvement

Sacramento, CA – State Controller Steve Westly today announced that state revenues are \$346.8 million below Department of Finance estimates for the current fiscal year. However, California's economic picture is improving, as indicated by higher-than-projected revenues for personal income tax and retail sales and use taxes for the month of March.

The report shows revenues are 0.7 percent below Department of Finance forecasts for the fiscal year to date. But for the month of March, total revenues are \$20.4 million, or 0.4 percent, above projections.

“Lower revenues only make the budget challenge more difficult and the need for reform more important,” Westly said. “The revenues show California's economy is slowly but surely recovering, just not enough to solve our budget crisis.”

Personal income tax revenue in March was \$149.9 million over estimates. Retail sales and use tax revenue was up \$339.9 million. These categories are generally considered to be indicators of economic strength.

Compared to March 2003 figures, personal income tax revenue has increased by \$263.2 million and retail sales and use taxes have increased by \$594.7 million, further proof that the increase is a long-term trend.

REVENUE REPORT FOLLOWS

**General Fund Revenues for the month of
March 2004**

In thousands

	March 2004		Actual Over or	
		DOF's 2004-05 Governor's Budget	(Under) Estimate	
	Actual	Estimates	Amount	%
Alcoholic Beverage Excise Tax	20,891	20,000	891	4.5
Corporation Tax	1,153,056	1,408,000	(254,944)	(18.1)
Cigarette Tax	11,018	9,000	2,018	22.4
Estate, Inheritance, and Gift Tax	46,708	42,000	4,708	11.2
Insurance Companies Tax	51,271	278,000	(226,729)	(81.6)
Personal Income Tax	1,245,998	1,096,000	149,998	13.7
Retail Sales and Use Taxes	2,143,974	1,804,000	339,974	18.8
Pooled Money Investment Interest	3,269	15,000	(11,731)	(78.2)
Not Otherwise Classified	100,218	84,000	16,218	19.3
Total Revenues	<u>4,776,403</u>	<u>4,756,000</u>	<u>20,403</u>	0.4

General Fund Revenues as of March 2004

In thousands

		DOF's 2004-05 Governor's Budget	Actual Over or	
			(Under) Estimate	
	Actual	Estimates	Amount	%
Alcoholic Beverage Excise Tax	235,386	227,265	8,121	3.6
Corporation Tax	4,424,681	4,676,320	(251,639)	(5.4)
Cigarette Tax	86,899	85,133	1,766	2.1
Estate, Inheritance, and Gift Tax	441,450	433,335	8,115	1.9
Insurance Companies Tax	985,858	1,214,302	(228,444)	(18.8)
Personal Income Tax	24,421,873	24,580,003	(158,130)	(0.6)
Retail Sales and Use Taxes	17,654,060	17,211,273	442,787	2.6
Pooled Money Investment Interest	81,665	105,926	(24,261)	(22.9)
Not Otherwise Classified *	3,389,243	3,534,394	(145,151)	(4.1)
Total Revenues	<u>51,721,115</u>	<u>52,067,951</u>	<u>(346,836)</u>	(0.7)

* \$2,263,609 Tobacco Securitization Bonds were received in September 2003